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March 6, 2014

**VIA HAND DELIVERY**

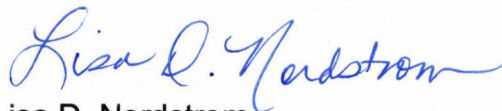
Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-13-20  
Base Level of Net Power Supply Expense – Idaho Power Company's Reply  
Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Reply Comments.

Sincerely,



Lisa D. Nordstrom

LDN:csb  
Enclosures

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Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR	)	CASE NO. IPC-E-13-20
AUTHORITY TO ESTABLISH A NEW	)	
BASE LEVEL OF NET POWER SUPPLY	)	IDAHO POWER COMPANY'S
EXPENSE	)	REPLY COMMENTS
	)	
	)	

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Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments in response to the Comments filed by the Industrial Customers of Idaho Power ("ICIP") and Micron Technology, Inc. ("Micron") on February 20, 2014 ("Joint Comments").

**I. BACKGROUND**

On November 1, 2013, Idaho Power filed an application with the Idaho Public Utilities Commission ("Commission") requesting approval of the Company's determination of new normalized or "base level" Net Power Supply Expense ("NPSE") to be utilized (1) to update base rates on June 1, 2014, and (2) as the basis for quantifying the 2014/2015 Power Cost Adjustment ("PCA") rates that would also become effective

June 1, 2014. If approved, the Company's proposed change in base level NPSE would have no net impact to the overall revenue collected through customer rates and would also be "revenue neutral" for all classes of Idaho customers.

On February 20, 2014, ICIP and Micron filed Joint Comments responding to the Company's request. While their Joint Comments did not challenge the proposed update to base level NPSE, ICIP and Micron requested that the Commission require Idaho Power to apply an allocation method based upon a class cost-of-service study. This allocation approach, according to ICIP and Micron, would be revenue neutral from an Idaho jurisdictional sales perspective, but would not be revenue neutral for all classes of Idaho customers. Joint Comments at 6.

## **II. REVENUE ALLOCATION**

### **A. The Requested Update to Base Level NPSE Should Have No Net Impact to the Overall Revenue Collected Through Customer Rates and Should Also Be Revenue Neutral for All Classes of Idaho Customers.**

The Company's request to change the level of normalized NPSE recovered in base rates should be implemented in a manner that would result in no net change in annual revenue and would have no impact to customer bills. ICIP and Micron requested in their Joint Comments that the Commission require Idaho Power to apply an allocation method that is based upon allocation factors from the Company's 2011 cost-of-service study, which, if approved, would result in rate increases for some customer classes and rate decreases for other customer classes. Most notably, ICIP and Micron's proposed allocation methodology would result in an overall increase to residential and irrigation customers' rates and a decrease in Large Power Service and Special Contract customers' rates. Because Idaho Power's intent was to implement the

proposed change to base level NPSE in a manner that would be revenue neutral for all classes of customers, it did not prepare or file a current cost-of-service study that would support the allocation method proposed by ICIP and Micron. Rather, Idaho Power's proposal maintains the same allocation relationships that exist today as established in the Company's last general rate case, Case No. IPC-E-11-08. It would be inappropriate and beyond the scope of this proceeding to modify the allocation of total revenue requirements between customer classes. Acceptance of the Company's proposal in this case will allow for a much needed update to base rates to reflect significant and ongoing increases to normalized NPSE without impacting customers' bills.

**B. When Base Rates Were Adjusted to Reflect the Revenue Requirement Associated with the Langley Gulch Power Plant, Idaho Power Applied a Uniform Percentage Increase to All Customer Classes, Not an Energy Allocation as Suggested by ICIP and Micron.**

On page 4 of their Joint Comments, ICIP and Micron incorrectly present the base rate adjustment associated with the addition of the Langley Gulch power plant (Case No. IPC-E-12-14) as an example of "permanent and significant costs" that were disproportionately assigned to high load factor customer classes on an energy-only basis. In fact, final Order No. 32585 directed Idaho Power to implement an annual revenue increase "spread to each customer class on an equal percentage based upon June 1, 2012 base revenues." Order No. 32585 at 17. Idaho Power implemented the Commission's directive in Order No. 32585 by applying a uniform percentage increase to the demand and energy rates for each customer class. This had the effect of maintaining the relationships between the demand and energy rate components for each customer class that were established in the last general rate case, Case No. IPC-E-11-08. Contrary to ICIP and Micron's assertion, high load factor customers did not

receive a disproportionate share of the rate increase in the Langley Gulch revenue requirement proceeding (Case No. IPC-E-12-14) through the use of an energy allocator.

### **III. CONCLUSION**

The Company believes that the Commission should reject the request by ICIP and Micron to require Idaho Power to apply an allocation method that is based upon allocation factors from a 2011 cost-of-service study, as it would inappropriately result in rate increases for some customer classes and a rate decrease for other customer classes without the guidance of a current, comprehensive class cost-of-service study.

Idaho Power respectfully requests that the Commission issue an order approving the Company's determination of new normalized or "base level" NPSE to be utilized (1) to update base rates on June 1, 2014, and (2) as the basis for quantifying the 2014/2015 PCA rates that would also become effective June 1, 2014. Further, the Company requests that the Commission order the Company to implement the change in base level NPSE in a manner that would have no net impact to the overall revenue collected through customer rates and would also be "revenue neutral" for all classes of Idaho customers.

DATED at Boise, Idaho, this 6<sup>th</sup> day of March 2014.

  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 6<sup>th</sup> day of March 2014 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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Christa Bearry, Legal Assistant